

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company
To Revise Its Electric Marginal Costs, Revenue
Allocation, and Rate Design.

(U 39 M)

Application 04-06-024
(Filed June 17, 2004)

**ADMINISTRATIVE LAW JUDGE'S RULING
AMENDING LISTS OF ISSUES**

This ruling adds two issues, and addresses the procedure for adding other issues.

1. Background

By ruling dated October 29, 2004, parties were advised that two or three issues might be added to this proceeding. The ruling included a draft statement of two issues, and set a schedule for comments.

On November 3, 2004, comments were filed and served by Pacific Gas and Electric Company (applicant), Office of Ratepayer Advocates (ORA), California Large Energy Consumers Association (CLECA), California Manufacturers & Technology Association (CMTA), and Modesto Irrigation District (MID). No responses were filed. Parties' views on whether or not to add these issues vary from support to opposition. No party recommends substantive rewording of any issue.

2. Discussion

2.1. Issue 2.5

As basically proposed on October 29, 2004, Issue 2.5 is:

2.5. Whether or not the revenue responsibility for usage protected by Assembly Bill (AB) 1X should be allocated to the residential class.

Applicant says that Issue 2.5 already falls within the subject areas identified for this proceeding (i.e., marginal costs, revenue allocation, rate design; in particular, revenue allocation), and that its showing already implicitly addresses this issue by proposing residential rates at levels that will not generate 100% of their fully allocated marginal costs. CLECA and CMTA point out that the allocation proposals of applicant and other parties will reflect a range of views on fully allocable revenue requirement for residential and other classes. Applicant and ORA assert that Issue 2.5 is already implicitly included in Issue 2.4: “Whether or not, or to what degree, to mitigate the full cost allocation to all customer groups...”

Applicant is correct that the issue falls within the identified subject areas and may already be implicitly addressed in its showing. Applicant and ORA are correct that it is essentially within the scope of Issue 2.4. As applicant also says, however, it is appropriate to include Issue 2.5 to more clearly identify the role of AB 1X. Further, it is desirable to add this issue to specifically recognize recent Commission discussion of this matter as an issue identified for consideration in a general rate or similar proceeding. (D.04-02-057, *mimeo.*, pages 98-99.) Moreover, CMTA points out that it is being addressed in a current similar proceeding for Southern California Edison Company (Application 02-05-004), and it is necessary to similarly address it here. Therefore, Issue 2.5 is added.

2.2. Issue 3.16

As basically proposed on October 29, 2004, Issue 3.16 is:

- 3.16. The extent to which energy recovery bond charges payable by departing load customers are to be paid within the cost responsibility surcharge cap of \$0.027 per kilowatt-hour (kWh).

Applicant and MID object to adding this issue, arguing that it is already being, or should be, addressed in the Direct Access Suspension proceeding (Rulemaking (R.) 02-01-011). Applicant also says it is being addressed in pending Advice Letters.

To the contrary, on November 19, 2004, the Commission specifically identified this issue as one to be addressed in this or another appropriate proceeding. (D.04-11-015, *mimeo.*, page 66.) Such recent guidance reveals that the Commission neither anticipates addressing the issue in R.02-01-011, nor in pending Advice Letters. Unless a contrary ruling or decision is subsequently made that specifically supersedes this ruling, parties should address the issue in this proceeding. Therefore, Issue 3.16 is added.

2.3. Rate Decrease for CARE and Residential Customers

The Commission has determined that the energy recovery bond rate decrease allocated to some customers should be offset by an increase in the generation component of their rates, resulting in no net rate change.

(D.04-11-015, *mimeo.*, page 68.) These customers are: (1) California Alternative Rates for Energy (CARE), (2) medical baseline and (3) residential Tiers 1 and 2. The Commission also said that ORA may raise this issue again in this rate design proceeding. (D.04-11-015, *mimeo.*, page 69.)

ORA or another party may raise this issue by following the procedures in the August 27, 2004 Scoping Memo. (See Scoping Memo at pages 3-4.)

2.4. BART

On November 19, 2004, the Commission stated that the San Francisco Bay Area Rapid Transit (BART) may raise an issue in this proceeding. The issue is whether BART is exempt from energy recovery bond charges. (D.04-11-015, *mimeo.*, page 63.)

A copy of this ruling will be served on BART. If BART wishes to pursue this or any other issue, BART should file and serve a motion to become a party. As a party, BART may raise this issue by following the procedures in the August 27, 2004 Scoping Memo. (See Scoping Memo at pages 3-4.)

IT IS RULED that:

1. The following two issues are added to the list of issues contained in Attachment A to the August 27, 2004 Scoping Memo:

2.5. Whether or not the revenue responsibility for usage protected by Assembly Bill (AB) 1X should be allocated to the residential class.

3.16. The extent to which energy recovery bond charges payable by departing load customers are to be paid within the cost responsibility surcharge cap of \$0.027 per kilowatt-hour (kWh).

2. To the extent not already included within its proposed showing, applicant may serve proposed supplemental direct testimony to address Issues 2.5 and 3.16. Such proposed supplemental direct testimony shall be served by December 6, 2004.

3. The San Francisco Bay Area Rapid Transit (BART) should file and serve a motion to become a party if BART wishes to address any issue in this proceeding. A copy of this ruling shall be served on the appearance for BART in Application 04-07-032 (financing authority for energy recovery bonds):

Edward W. O'Neill
Attorney At Law
Davis Wright Tremaine LLP
One Embarcadero Center, Suite 600
San Francisco, CA 94111-3834
edwardoneill@dwt.com

4. Parties shall use the procedure stated in the August 27, 2004 Scoping Memo and Ruling of Commissioner Peevey for proposing modification(s) to the list of issues.

Dated November 23, 2004, at San Francisco, California.

/s/ BURTON W. MATTSON

Burton W. Mattson
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail, and by electronic mail to the parties who have provided an electronic mail address, this day served a true copy of the original attached Administrative Law Judge's Ruling Amending List of Issues on all parties of record in this proceeding or their attorneys of record.

Dated November 23, 2004, at San Francisco, California.

/s/ ELIZABETH LEWIS
Elizabeth Lewis

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

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